

**Report to the Senior Executive Council,
Department of Defense**

MANAGEMENT INFORMATION TASK GROUP

Report FY02-2

- **Recommendations on the implementation of balanced scorecard metrics for the Department of Defense**

December 18, 2002

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MANAGEMENT INFORMATION TASK GROUP REPORT

BALANCED SCORECARD METRICS

TASK: To provide an initial set of management metrics that can be used by the Secretary of Defense to drive the performance of the Department of Defense. Rely on private sector best practices in the development and implementation of the metrics. Additionally, focus on force management and infrastructure (financial) measures and linkages to individual performance.

- DBB Task Leader: Neil Albert
- DoD Liaison: Ken Krieg, Executive Secretary, Senior Executive Council

PROCESS: The task team worked with Mr. Ken Krieg over the course of several months providing guidance and feedback on the development of scorecard metrics built around the 4 major risk areas for the Department:

- Force Management Risk
- Operational Risk
- Institutional Risk
- Future Challenges Risk

The team provided input into the development of an initial set of metrics and also developed a broad set of recommendations for the implementation of the scorecard. The team relied on its private sector expertise and referenced best practices related to balanced scorecard systems.

RESULTS: The substantive findings and advice of the task group were developed as a presentation for the Senior Executive Council (SEC). This presentation was delivered as an executive brief to the SEC on November 21, 2002. An updated version of the presentation, which is attached, submits recommendations around three primary areas:

1. Getting the process started
2. Cascading the metrics downward
3. Building an institutional approach

Defense Business Practice Implementation Board

































The recommendations also include 5-6 specific suggested metrics for each of the four risk areas plus an additional category of metrics to discretely measure financial management. The financial management metrics were developed in detail by the DBB Financial Indicators Task Group lead by Bill Phillips. The financial metrics presented on November 21st to the SEC were a “first-cut” at a representative set of metrics in this area. The attached report includes the updated financial metrics as recommended by Financial Indicators Task Group.

It is the intention of the DBB, through the Management Information Task Group, to continue to provide advice to Mr. Krieg and the SEC as the scorecard is refined.

Respectfully submitted,

Neil Albert

Chart A **Balanced Scorecard Metrics for DoD**

<u>Force Management Risk</u>		<u>Operational Risk</u>	
 Quality Index	 Civilian Workforce Progress	 Joint Con Ops Progress	 Specific Issues List
 Force Tempo Trend	 PMA Human Capital	 Operational Availability	
 Quality of Life Index		 Joint Monthly Readiness	
 Total Force Cost Trend		 C-Sorts	
<u>Future Challenges Risk</u>		<u>Institutional Risk</u>	
 Experiments Progress	 Transformation Budget	 BRAC Progress	 Acquisition Cycle Time
 Joint Training Progress		 Life-Cycle Cost Trends	 Other PMA
 New Organization Standup		 FMMP Progress v. Plan	
 National Capabilities Definition		 Competitive Sourcing Progress	



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Balanced Scorecard Metrics



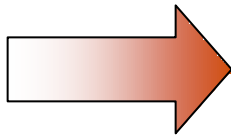
Final Report
December 2002



Presentation Overview

- Introduction
 - Task Group Members
 - Objectives and Scope
- Recommendations
- Next Steps

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Management Information Task Group

- **Neil Albert (Chairman)**
- **Bob Hale**
- **Bill Phillips**
- **Other DBB members in group sessions**

Objectives, Scope and Process

- **Provide an initial set of management metrics that can be used by the Secretary of Defense to drive the performance of the Department of Defense**
- **Rely on private sector best practices in the development and implementation of the metrics**
- **Focus on:**
 - **Balanced scorecard development/implementation**
 - **Force Management and Infrastructure (Financial) Measures**
 - **Looking toward individual performance**

Balanced Scorecard Approach

The Balanced Scorecard is based on the premise that corporate improvement can be managed by measuring and evaluating all the aspects of the business rather than a singular focus on the bottom line.

- **Traditionally, 4 basics areas of evaluation:**
 - Customer
 - Internal
 - Learning and Growth
 - Financial
- **The top three areas of evaluation should directly influence the fourth**

Balanced Scorecard Approach

DoD use of balanced scorecard approach could be challenging if not implemented carefully.

- **4 issues of concern:**
 - **1. Operations:** DoD does not operate as a commercial company – no profit and loss basis
 - **2. Organization:** Diverse requirements (Services, Agencies, etc.) internal to the DoD reduce ability to integrate strategies efficiently
 - **3. Culture:** Change within the Government is difficult due to multiplicity of goals and bosses (Congress, etc)
 - **4. Systems:** Lack of a consolidation of systems makes collecting and measuring data difficult

Balanced Scorecard Approach

Given the structure of DoD and the mission for which it operates, the proposed balanced scorecard, with the 4 risk areas, is a realistic approach for managing performance.

- **Meaningful metrics can be developed to overcome issues cited previously:**
 - Align with the overall strategy of DoD
 - Measurable (Quantifiable)
 - Defined for everyone's (Services, Agencies, etc.) use
 - Data easily available and accessible

Balanced Scorecard Approach

(Proposed DoD Scorecard Areas)

Force Management Risk

- **Definition:** Challenge of sustaining personnel, infrastructure and equipment
- **Risk Mitigation Examples**
 - Manage careers and rotations
 - Modernize infrastructure and facilities
 - Training, spares and overall readiness

Operational Risk

- **Definition:** Challenge of deterring or defeating near-term threats
- **Risk Mitigation Examples**
 - Plan and prosecute war on terror
 - Elevate role of homeland defense
 - Develop forward deterrence posture
 - Enhance operational capabilities with allies

Future Challenges Risk

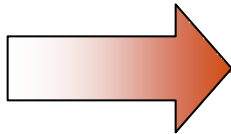
- **Definition:** Challenge of dissuading, deterring, defeating longer-term threats
- **Risk Mitigation Examples**
 - Experiment with new concepts, capabilities and organizational designs
 - Investing in transformational capabilities for portions of the force
 - Foster a spirit of innovation and risk taking

Institutional Risk

- **Definition:** Challenge of improving efficiency represented by unresponsive processes, long decision cycles, segmented information, etc.
- **Risk Mitigation Examples**
 - Modernize financial management systems and approaches
 - Acquisition excellence initiatives
 - Improve planning and resource allocation

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- Introduction
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- **Recommendations**
- Next Steps

Recommendations

- **Get process started**
 - Just do it!
 - Suggested metrics for the four risk areas
 - Fifth area to consider: financial management
- **Cascade metrics downward**
- **Build an institutional approach**

Just Do It!

Best to get started immediately, but understand that development of scorecard is not a one-time event

- **Evolution is the best approach – no one gets it right the first time**
- **Keep it simple – Measurement viability will be realized as data becomes available and needs are formalized**
- **Initial cut to SecDef by Dec 02**
- **Review them regularly – at least quarterly**

Suggested Metrics

- **5-6 Metrics/Measures for each balanced scorecard risk area**
 - Minimize number of metrics; do not over measure
 - Ensure a clear strategy
 - Have strong management support
 - Include targets and “stretch” goals
 - Ultimately provide incentives to reward success
 - Try to build Department-wide buy-in, but understand that SecDef is ultimate customer
- **Establish “stoplight” summary based on targets and stretch goals**

DoD Quarterly Performance Scorecard

Force Management Risk

	Quality Index		Civilian Workforce Progress
	Force Tempo Trend		PMA Human Capital
	Quality of Life Index		
	Total Force Cost Trend		

Operational Risk

	Joint Con Ops Progress		Specific Issues List
	Operational Availability		
	Joint Monthly Readiness		
	C-Sorts		

Future Challenges Risk

	Experiments Progress		Transformation Budget
	Joint Training Progress		
	New Organization Standup		
	National Capabilities Definition		

Institutional Risk

	BRAC Progress		Acquisition Cycle Time
	Life-Cycle Cost Trends		Other PMA
	FMMP Progress v. Plan		
	Competitive Sourcing Progress		

Force Management Risk Measures



Quality Index



Quality of Force Indicators v. Plan

- highlights progress on recruiting and retaining critical skills and high quality talent



Force Tempo Trend



Force Tempo v. Trend and/or Objective

- highlights portions of the force being used-precursor measure for future sustainability?



Quality of Life Index



Quality of Life Indicators Trends

- highlights key satisfaction issues for service person and family



Total Force Cost Trend



Total Cost of Force Over Time

- track total direct and indirect force cost over time



Civilian Workforce Progress



Civilian Workforce Strat. Plan Implementation v. Plan

- need agreement on plan and timeframe



PMA Human Capital



President's Mgt. Agenda Human Capital Measure

- if not explicitly included in measures above

Operational Risk Measures



Joint Con Ops Progress



Joint Concept of Operations v. Plan

- highlights progress on defining approach



Operational Availability



Operational Availability Progress

- defining what types of capability to employ in what timeframe



Joint Monthly Readiness



Joint Monthly Readiness Reporting Review

- helps define priority gaps to be filled



C-Sorts



Unit Readiness--Begin by Using C-Sorts

- shift to unit readiness calculations when available
- need to agree on standard to measure against



Specific Issues List



Specific Issues

- could be plan preparation, etc.
- priorities for the next 12-18 months

Future Challenges Risk Measures



Experiments Progress



Experimentation Progress v. Plan

- highlights process of innovation



Joint Training Progress



Joint Training Progress v. Plan

- highlights development and use of joint training capability



New Organization Standup



New Organization Stand-up Progress v. Plan

- highlights creation and implementation of new organizational designs (USDI, ASDHS, NorthCom, SJTF, etc.)
- need to define what to track



National Capabilities
Definition



National Capabilities Definition Progress

- track creation of measure and progress against developing capabilities-based force



Transformation Budget



Percent of Budget Dedicated to Transformation

- need agreement on measures beyond technology

Institutional Risk Measures

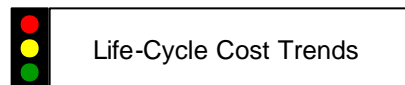


BRAC Progress



Progress on BRAC Work-up v. Plan

- highlights progress on infrastructure scaling

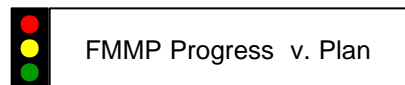


Life-Cycle Cost Trends



Life Cycle Cost Trends

- highlights progress on both cost management and acquisition process design

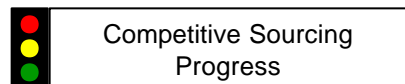


FMMP Progress v. Plan



Financial Management Modernization v. Plan

- highlights both enterprise process definition and modernizing financial structure

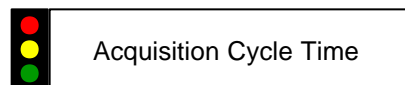


Competitive Sourcing Progress



Competitive Sourcing Progress v. Plan

- highlights both core competency implementation and President's Management Agenda

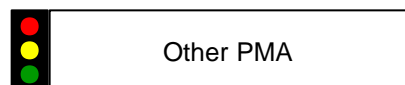


Acquisition Cycle Time



Acquisition Cycle Time

- highlights progress in integrating processes and developing spiral acquisition methodologies



Other PMA

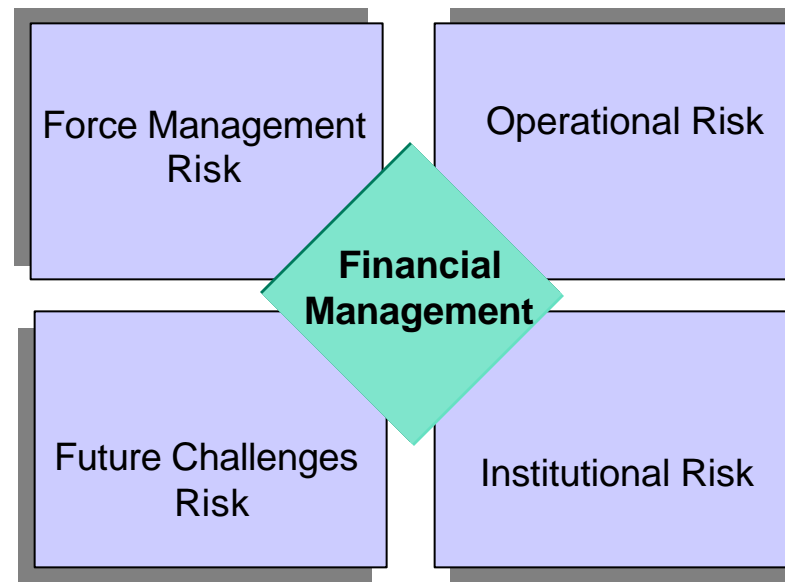


Other President's Management Agenda Items


- details those not otherwise captured in other measures

Fifth Area: Financial Management

Effective financial management impacts all four risk areas and should be measured and represented on the scorecard accordingly.




Financial Management Measures

 Relationship of Resources to Apportionments to Allotments



Relationship of Total Budgetary Resources to Apportionments to Allotments


- highlights management's reserve

 Obligations to Total Budgetary Resources Ratio



Obligations to Total Budgetary Resources Ratio


- highlights progress in executing programs

 Potential Canceled Budget Authority



Potential Canceled Budget Authority


- trend highlights record of program execution

 Percentage of Uncovered Liabilities



Percentage of Uncovered Liabilities

- trend analysis highlights budget resource exposure

 Solvency Ratio for the Working Capital Fund



Solvency Ratio for the Working Capital Fund

- highlights shortfall, if any, of required cash balances

Cascade Metrics Downward

The Secretary's focus on the metrics will help drive the organization, but one level of management cannot develop this alone

- **Communication at all levels (Services, Agencies, Under Secretaries) will ensure full compliance--vertical and horizontal**
- **Link strategies; avoid conflicting priorities**
- **Leadership commitment**
- **Regular reviews by the Secretary will reinforce credibility of the measures**

Cascade Metrics Downward

Operational considerations--metrics should serve as a means to meet operational objectives at all levels

- **Establish targets and goals**
 - Targets are expected results for period reviewed
 - Goals are over and above expectations for the period reviewed – “Stretch”
- **Ultimately, the most junior level in the DoD structure should have individual performance criteria to ensure accomplishment of targets and goals (starting 2004)**

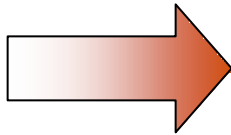
Build An Institutional Approach

Focused effort should be employed to ensure scorecard metrics become an integral part of Department of Defense's processes and practices

- **Use as part of 2003 Annual Report (GPRA report)**
- **Services include in 2003 CFO reports**
- **Use key metrics in 2003 SecDef Congressional testimony (same for direct reports)**
- **Put appropriate metrics at beginning of budget justifications (in 2004)**
 - **Personnel in Milpers, Acquisition in procurement, etc.**
 - **Seek Member(s) of Congress with interest in metrics and brief them (starting 2003)**

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Next Steps

- **Coordinate with Services who are developing balanced scorecard metrics – look for overlaps**
 - Evaluate organizational strategies
 - Develop integrated themes
 - Determine barriers
- **Perform organizational reviews to determine level of data accessibility and availability**
- **Train top leadership on consistent approach to applying balanced scorecard**
- **Evaluate incentive process as discussed by Human Resources Task Group**

Get Started Now!



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Balanced Scorecard Metrics

Executive Briefing
November 21, 2002



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Balanced Scorecard Metrics

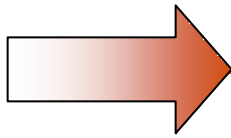
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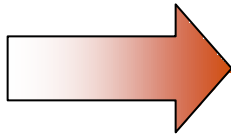
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







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




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







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







Operational Risk

 Joint Con Ops Progress	 Specific Issues List
 Operational Availability	
 Joint Monthly Readiness	
 C-Sorts	

Future Challenges Risk

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 National Capabilities Definition	

Institutional Risk

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Force Management Risk Measures



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Force Tempo v. Trend and/or Objective

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Quality of Life Index



Quality of Life Indicators Trends

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Total Force Cost Trend



Total Cost of Force Over Time

- track total direct and indirect force cost over time



Civilian Workforce Progress



Civilian Workforce Strat. Plan Implementation v. Plan

- need agreement on plan and timeframe



PMA Human Capital



President's Mgt. Agenda Human Capital Measure

- if not explicitly included in measures above

Operational Risk Measures



Joint Con Ops Progress



Joint Concept of Operations v. Plan

- highlights progress on defining approach



Operational Availability



Operational Availability Progress

- defining what types of capability to employ in what timeframe



Joint Monthly Readiness



Joint Monthly Readiness Reporting Review

- helps define priority gaps to be filled



C-Sorts



Unit Readiness--Begin by Using C-Sorts

- shift to unit readiness calculations when available
- need to agree on standard to measure against



Specific Issues List



Specific Issues

- could be plan preparation, etc.
- priorities for the next 12-18 months

Future Challenges Risk Measures



Experiments Progress



Experimentation Progress v. Plan

- highlights process of innovation



Joint Training Progress



Joint Training Progress v. Plan

- highlights development and use of joint training capability



New Organization Standup



New Organization Stand-up Progress v. Plan

- highlights creation and implementation of new organizational designs (USDI, ASDHS, NorthCom, SJTF, etc.)
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National Capabilities
Definition



National Capabilities Definition Progress

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Transformation Budget



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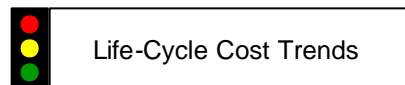


BRAC Progress



Progress on BRAC Work-up v. Plan

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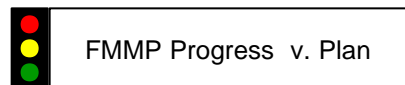


Life-Cycle Cost Trends



Life Cycle Cost Trends

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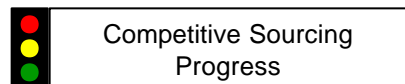


FMMP Progress v. Plan



Financial Management Modernization v. Plan

- highlights both enterprise process definition and modernizing financial structure

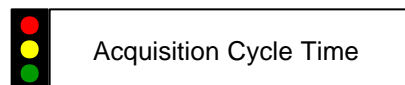


Competitive Sourcing Progress



Competitive Sourcing Progress v. Plan

- highlights both core competency implementation and President's Management Agenda

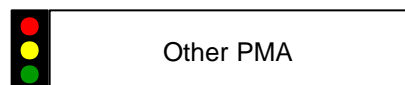


Acquisition Cycle Time



Acquisition Cycle Time

- highlights progress in integrating processes and developing spiral acquisition methodologies



Other PMA

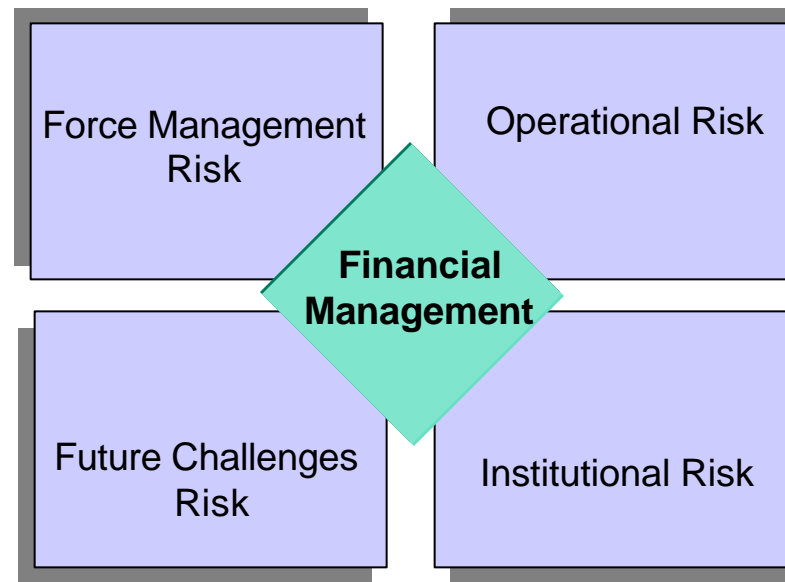


Other President's Management Agenda Items


- details those not otherwise captured in other measures

Fifth Area: Financial Management

Effective financial management impacts all four risk areas and should be measured and represented on the scorecard accordingly.




Financial Management Measures

 Relationship of Resources to Apportionments to Allotments



Relationship of Total Budgetary Resources to Apportionments to Allotments


- highlights management's reserve

 Obligations to Total Budgetary Resources Ratio



Obligations to Total Budgetary Resources Ratio


- highlights progress in executing programs

 Potential Canceled Budget Authority



Potential Canceled Budget Authority


- trend highlights record of program execution

 Percentage of Uncovered Liabilities



Percentage of Uncovered Liabilities

- trend analysis highlights budget resource exposure

 Solvency Ratio for the Working Capital Fund



Solvency Ratio for the Working Capital Fund

- highlights shortfall, if any, of required cash balances

Cascade Metrics Downward

The Secretary's focus on the metrics will help drive the organization, but one level of management cannot develop this alone

- **Communication at all levels (Services, Agencies, Under Secretaries) will ensure full compliance--vertical and horizontal**
- **Link strategies; avoid conflicting priorities**
- **Leadership commitment**
- **Regular reviews by the Secretary will reinforce credibility of the measures**

Cascade Metrics Downward

Operational considerations--metrics should serve as a means to meet operational objectives at all levels

- **Establish targets and goals**
 - Targets are expected results for period reviewed
 - Goals are over and above expectations for the period reviewed – “Stretch”
- **Ultimately, the most junior level in the DoD structure should have individual performance criteria to ensure accomplishment of targets and goals (starting 2004)**

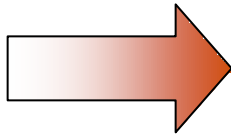
Build An Institutional Approach

Focused effort should be employed to ensure scorecard metrics become an integral part of Department of Defense's processes and practices

- **Use as part of 2003 Annual Report (GPRA report)**
- **Services include in 2003 CFO reports**
- **Use key metrics in 2003 SecDef Congressional testimony (same for direct reports)**
- **Put appropriate metrics at beginning of budget justifications (in 2004)**
 - **Personnel in Milpers, Acquisition in procurement, etc.**
 - **Seek Member(s) of Congress with interest in metrics and brief them (starting 2003)**

Presentation Overview

- Introduction
 - Task Group Members
 - Objectives and Scope
- Recommendations



- Next Steps

Next Steps

- **Coordinate with Services who are developing balanced scorecard metrics – look for overlaps**
 - Evaluate organizational strategies
 - Develop integrated themes
 - Determine barriers
- **Perform organizational reviews to determine level of data accessibility and availability**
- **Train top leadership on consistent approach to applying balanced scorecard**
- **Evaluate incentive process as discussed by Human Resources Task Group**

Get Started Now!



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Balanced Scorecard Metrics

Executive Briefing
November 21, 2002